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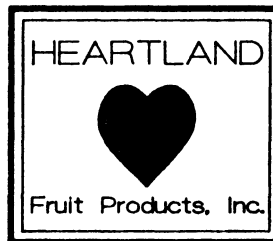
Executive Summary  
for

***CHERRY-ETTES***

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St. Louis, Missouri  
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## **INTRODUCTION**

Heartland Fruit Products, Inc., a wholly-owned subsidiary of G.C. Himes, Inc. of Chicago, Illinois, has been a progressive manufacturer and savvy marketer of fruit products in Bowling Green, Ohio for the past 18 years. These products are processed and packaged in Bowling Green with the majority of sales being in the Midwest through established wholesale channels. Knowledgeable individuals from our marketing department have developed a plan to increase the company's growth in revenue, return on investment, and profits. The various aspects of a marketing plan to achieve these results are outlined below.

## **MISSION STATEMENT**

Heartland Fruit Products is a consumer driven producer of premium quality, fruit based products. Heartland strives to satisfy the desires of its customers while achieving pre-determined goals on profit and return on investment. Furthermore, Heartland aspires to meet its business objectives as well as to exhibit exemplary business ethics and respect to employees, community, and the environment.

## **PROBLEM STATEMENT**

Heartland is experiencing a slow growth rate on present product lines (grape, apple and cherry juice.) Increased competition from new and/or archrival firms has caused a plateau of 37% market share. In order to increase profits, the introduction of a new, innovative product is crucial. Fortunately, a market trend of increased dried fruit consumption has emerged. By introducing Cherry-ettes, a dried cherry product, Heartland can capitalize on a synergistic, value-added product that will fulfill the company's primary mission of satisfying emerging consumer wants and will contribute to the financial health of the company.

## **SITUATION ANALYSIS**

As a result of evolving consumer behavior, health conscious Americans are buying more dried fruit products. Market research conducted in our trade area by Spencer Market Research, Inc. indicates an annual increase of 4 percent in the consumption of dried fruits during the past 10 years. In addition, the cherry flavor is popular with consumers. In the target area a unique opportunity exists for a new dried fruit product. The product development department of Heartland has devised an innovative dehydration process to produce dried cherries, called Cherry-ettes. Cherry-ettes appear to have substantial potential to stimulate sales, increase revenues and enhance profits in order to meet Heartland's business objectives.

## **OBJECTIVES**

### **Business:**

1. To be the first to market dried cherries in the market area.
2. To obtain 8%, 12%, and 14% of the dried fruit market in years one, two, and three, respectively.
3. To achieve a minimum return on investment of 20% and 45% in the second and third years, respectively.
4. To contribute 40% of overall company sales in the second year and 52% in the third year with a minimum of 10% to overall company net profits in the second and third years.

**Communication:**

1. To create 50% awareness of dried cherries in the target market in the first year, with an increase to 75% by the third year.
2. To position the product in the minds of consumers as tasty, appetizing, nutritious, and healthful snack.
3. To emphasize the G.C. Himes, Inc. parentage.

**COMPETTIVE ANALYSIS****Strengths:**

1. First firm to produce and distribute dried cherries in our market area.
2. Differentiated, naturally processed product perceived by consumers as a safe, nutritious, tasty, and low-calorie snack.
3. Proximity to supply of fruit for processing.
4. Target market of 3.5 million consumers within 200 miles of plant; secondary market of 31 million additional consumers.
5. Consumer company loyalty from high-quality products of Heartland.

**Weaknesses:**

1. Possible competition from existing dried fruits and from locally produced fresh fruits.
2. Low consumer awareness of product as a nutritious, convenient food item.
3. Start-up costs for new product.

**Other Market Factors:**

1. Continuous changes in consumer life-style and buying habits.
2. Slower economic growth.
3. Market potential as an ingredient in baking and cereals.

**ACTION PLAN****Product Positioning**

Both cherry juice and the ingredients for Cherry-ettes will be obtained from frozen tart cherries. Juice is extracted during the thawing of these cherries. Then the skin and pulp are processed further using a continuous flow dehydrating machine to reduce the moisture content to 12 percent in order to obtain the finished dried cherry product: Cherry-ettes.

The primary target market consists of women aged 25 to 40 who are interested in food items that are low in fat, calories, and sodium, yet are tasty, nutritious, safe, and convenient. This marketing plan is directed toward using Cherry-ettes as a snack food, but a secondary market exists for other ages and uses. Cherry-ettes may be used as an ingredient for home and commercial baking and as a topping for cereals, salads, yogurt, and desserts. Supermarkets and convenience stores that stock Heartland's other products will also carry Cherry-ettes.

Cherry-ettes will be marketed in a sealed, clear plastic bag with a fresh looking, stylish cardboard package in 6 oz. and 1.5 oz. sizes. The 6 oz. size is sold singly, whereas the 1.5 oz. size will be arranged in a four-pack.

#### Pricing

Cherry-ettes wholesale price will be \$2.23 for the 6 oz. size and \$2.49 for the four pack. The suggested retail prices of \$2.99 for the 6 oz. size and \$3.19 for the four pack will allow the retailers at least a 25% mark-up.

#### Distribution

The market area for the first year will include Ohio, Michigan, and Indiana. The Chicago Metropolitan area will be added to this market at the beginning of the second year.

The distribution area provides an advantage because it is located within the proximity of the production facilities and allows utilization of current distribution channels.

#### Promotion

##### Print Advertising

The focus of advertising during the first two quarters (January-June) will be a half page advertisement including a \$.25 coupon placed in the free standing insert (FSI) of the Sunday edition of major metropolitan newspapers in our target area. Additionally, one-fourth page advertisements will be placed at regular intervals in the Food section of our selected newspapers. The one-fourth page advertisements will continue throughout the first year to maintain consumer awareness, however the FSI advertisement will be withdrawn during the third quarter and resumed the fourth quarter. In the second and third years, print advertising for Heartland will include Chicago and the major remaining cities in the three state market area

Heartland will also use magazines as a force in creating consumer awareness for Cherry-ettes. A full page, full-color advertisement will be placed in the Midwest issues of American Health, Good Housekeeping, Runners World, and Self. These advertisements will be published during the first and fourth quarters of each year.

##### Broadcast

Thirty second commercials will air twice a week between the hours of 7:00 a.m. and 9:00 a.m. and 5:00 p.m. and 8:00 p.m. on television stations in the viewer market areas. These times will allow Heartland to reach the target market audience and inform them of the wholesome character of Cherry-ettes.

Heartland will also broadcast 60-second advertisements over an initial 27 radio stations in our listener market area. The 60-second spots will air twice on Fridays between the hours of 7:00 a.m. and 9:00 a.m. and 3:00 p.m. and 7:00 p.m., and four times on Saturdays between the hours of 12:00 noon and 4:00 p.m. in the categories of adult easy listening, contemporary, and classic rock. Judging by the coupon response, we will evaluate the need for expansion in the broadcast segment of the promotional campaign.

### Facilitating Activities

Heartland will hire a public relations (PR) firm to formulate and coordinate press releases for local newspapers, regional magazines, and major television stations in our metropolitan areas. This PR firm will also work closely with the food editors of the newspapers within the market area. Additionally, trade-shows, point-of-purchase displays, and cooperative advertising will be utilized to effectively introduce and promote Cherry-ettes. The slogan: "A wrinkle you won't mind having" will be used in all forms of promotion.

### **FINANCIAL EVALUATION**

The three year projected income statement shows the net income before and after taxes if Heartland should begin to manufacture Cherry-ettes. The projected income statement shows a loss in our starting year due to the high cost of advertising and promotion. In the second year, Heartland will experience \$772,883 net profit before taxes. By the third year, Cherry-ettes will have a return on investment of 51%, and will contribute 52% to total company sales. Our detailed financial analysis will enable Heartland to be a strong competitor in the growing nutritional snack food market.

#### **PROJECTED INCOME STATEMENT**

(000's)

	<u>1990</u>	<u>1991</u>	<u>1992</u>
Sales			
6 oz. pkg. 2.23	\$5,600	\$12,822	\$18,087
4 pack @ 2.49	<u>6,255</u>	<u>14,317</u>	<u>20,196</u>
	11,855	27,140	38,283
Discounts>Returns	<u>142</u>	<u>325</u>	<u>459</u>
Net Sales	11,713	26,814	37,824
COGS	<u>9,136</u>	<u>20,570</u>	<u>29,851</u>
Gross Margin	2,576	6,244	7,972
Operating Expenses			
Interest	52	51	50
Promotion	3,123	4,189	4,079
Depreciation	230	230	230
Other	<u>270</u>	<u>1,000</u>	<u>1,800</u>
Net Income (b/f taxes)	(1,098)	772	1,812
Tax Liability	(373)	232	616
Net Income (after taxes)	(725)	540	1,196
Return on Investment			
b/f taxes	(31%)	22%	51%

### **MARKETING PLAN PERFORMANCE EVALUATION**

An on-going monitoring process will be implemented for Cherry-ettes to assure its success in the Heartland family of food products. Our marketing department will measure the results of Cherry-ettes performance primarily by sales, both dollar value and the number of units sold, for the first 12 months, followed by financial returns and percent contribution to sales in years two and three. The effectiveness of the communications and the degree of market penetration will be evaluated by Spencer Market Research, Inc.

Monitoring of Cherry-ette sales will involve weekly meetings with sales representatives, as well as communications with retailers and consumers. The attainment of communications objectives will be monitored by our marketing department through pre- and post-test questionnaires to measure the effectiveness in each medium. Consumer awareness and acceptance will be monitored through the use of quarterly taste tests and repeat sales by the redemption of special coupons placed in packages of Cherry-ettes. Finally, financial results will be measured through ratio analysis, emphasizing return on investment, cost of goods sold analysis, and break-even analysis. Deviations greater than 10 percent from predetermined performance measures will alert management of need for correction.

### **CONTINGENCY PLAN**

Market research findings indicate that Cherry-ettes would be a profitable product for Heartland following successful implementation of our marketing plan. However, if results of our on-going evaluations reveal any areas where performance fails to meet our goals, focus groups will be utilized, advertising will be intensified and Cherry-ettes will be repositioned on the basis of both demographics and psychographics. Cooperative advertising with retailers will be increased.

In the event that product acceptance greatly exceeds our expectations Cherry-ettes will be distributed through national subsidiaries of our parent company, G.C. Himes, Inc.